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WITH
CERTAINTY

AeroVironment, Inc. Second Quarter Fiscal 2017 Overview Presentation

December 7, 2016

Safe Harbor Statement

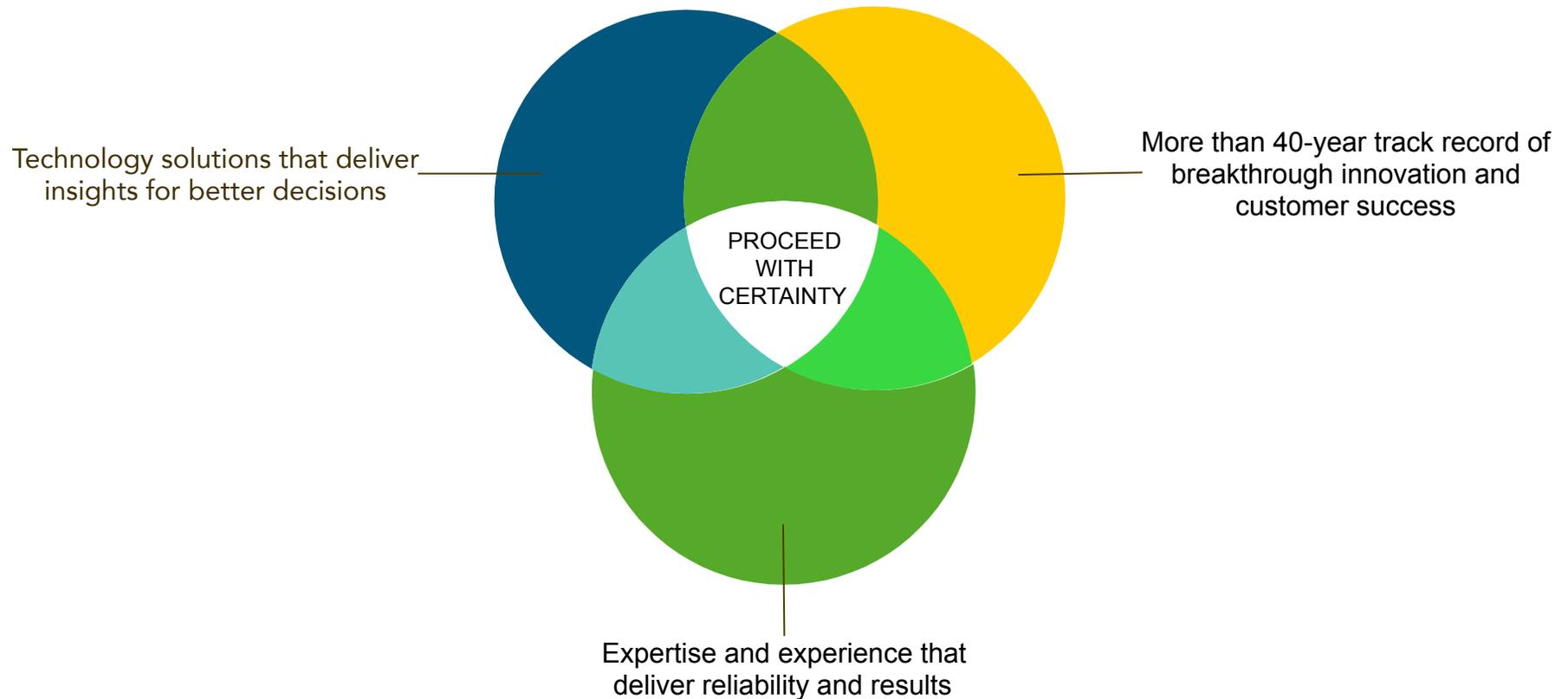
- Certain statements in this document may constitute "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements are made on the basis of current expectations, forecasts and assumptions that involve risks and uncertainties, including, but not limited to, economic, competitive, governmental and technological factors outside of our control, that may cause our business, strategy or actual results to differ materially from those expressed or implied.
- Factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to, reliance on sales to the U.S. government; availability of U.S. government funding for defense procurement and R&D programs; changes in the timing and/or amount of government spending; risks related to our international business, including compliance with export control laws; potential need for changes in our long-term strategy in response to future developments; unexpected technical and marketing difficulties inherent in major research and product development efforts; changes in the supply and/or demand and/or prices for our products and services; the activities of competitors and increased competition; failure of the markets in which we operate to grow; failure to remain a market innovator and create new market opportunities; changes in significant operating expenses, including components and raw materials; failure to develop new products; the extensive regulatory requirements governing our contracts with the U.S. government; product liability, infringement and other claims; changes in the regulatory environment; and general economic and business conditions in the United States and elsewhere in the world.
- For a further list and description of such risks and uncertainties, see the reports we file with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. We do not intend, and undertake no obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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- AeroVironment Overview
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AeroVironment Overview

We Provide Customers More Actionable Intelligence So They Can Proceed With Certainty



AeroVironment Highlights: A History of Adapting to Change While Continuously Innovating

Profitable Growth through Technology Based Innovation

- 15% Revenue CAGR FY '04 – '16
- Proprietary IP portfolio underpins success
- Proven and experienced management team

Strong and Balanced Pipeline with Multiple High-Value Market Opportunities

- Small UAS: continued evolution in U.S. military market, emerging opportunities in adjacent commercial and international markets
- Tactical Missile Systems: accelerating adoption, high volume potential
- Commercial UAS information solutions: emerging market opportunity

Strong Financial Performance

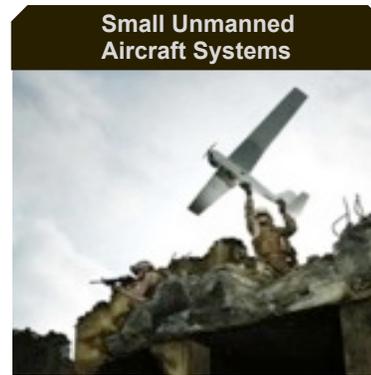
- Consistent cash generation
- Strong, efficient, growth-oriented balance sheet
- Making prudent investments to capitalize on significant multimarket growth opportunities

Differentiated Solutions with Industry Leading Positions Across Multiple Markets

- Pioneer & market leader in small UAS, Loitering Munitions
- Pioneer & market leader in Electric Vehicle (EV) test and charging solutions

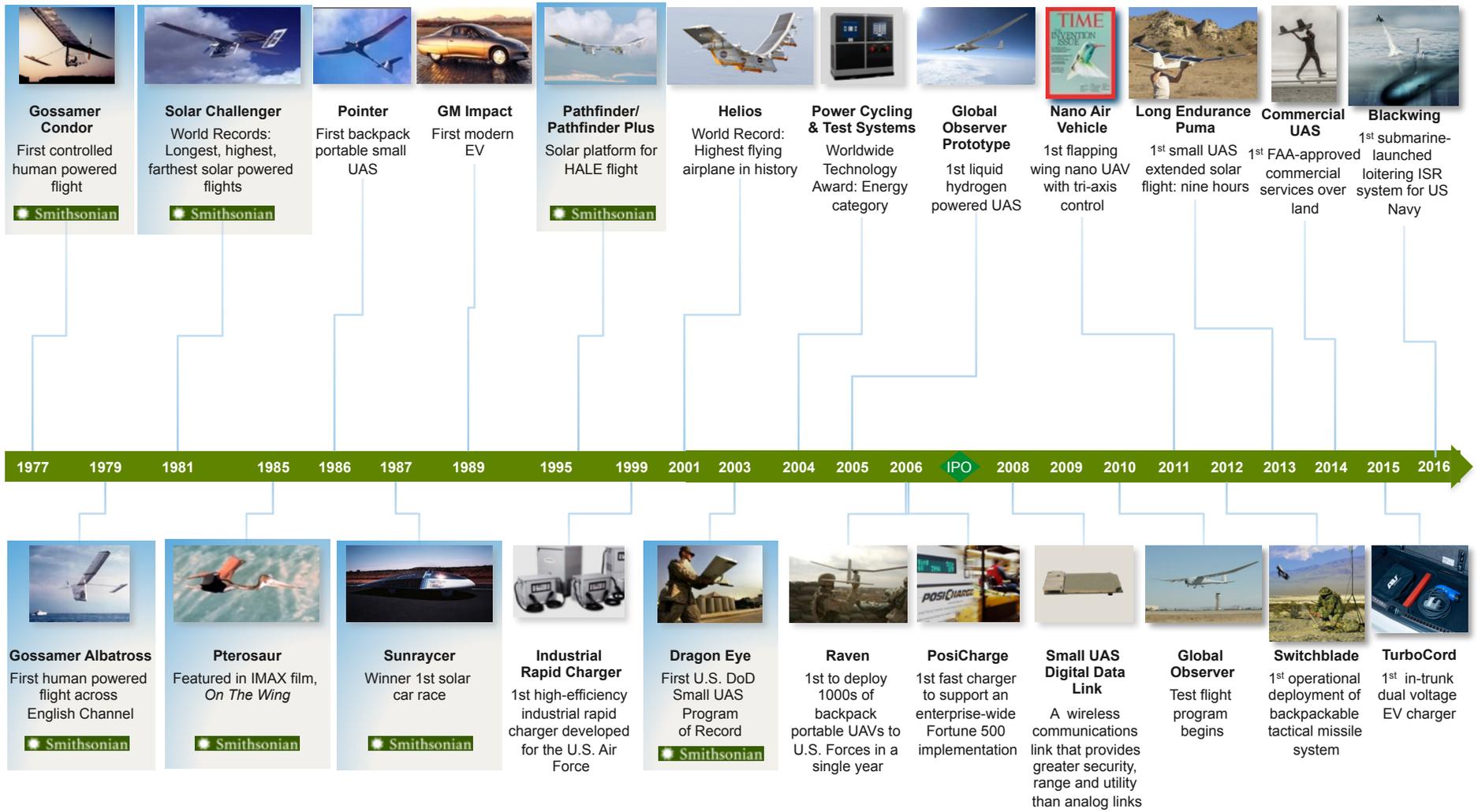
AeroVironment is a Technology Innovator in Multiple Industries and Applications

- Founded: 1971 in Pasadena, CA
- Public company since 2007
 - \$591m market cap as of 2/6/17
 - \$264m revenue in Fiscal 2016
- 2004-2016 Performance:
 - Sales CAGR: 15%
- 85% unit share of all U.S. Department of Defense unmanned aircraft
- A leader in deployment of EV charging systems in North America



Creating value by identifying, developing, investing in and providing innovative technology-based solutions to high value market opportunities

AeroVironment: An Enduring Success Story of Innovation, Intellectual Property and Entrepreneurship



We Target Global, Long-Term Trends with Innovative New Solutions

Focused on Levering Key Trends Across Both Business Segments...



UAS

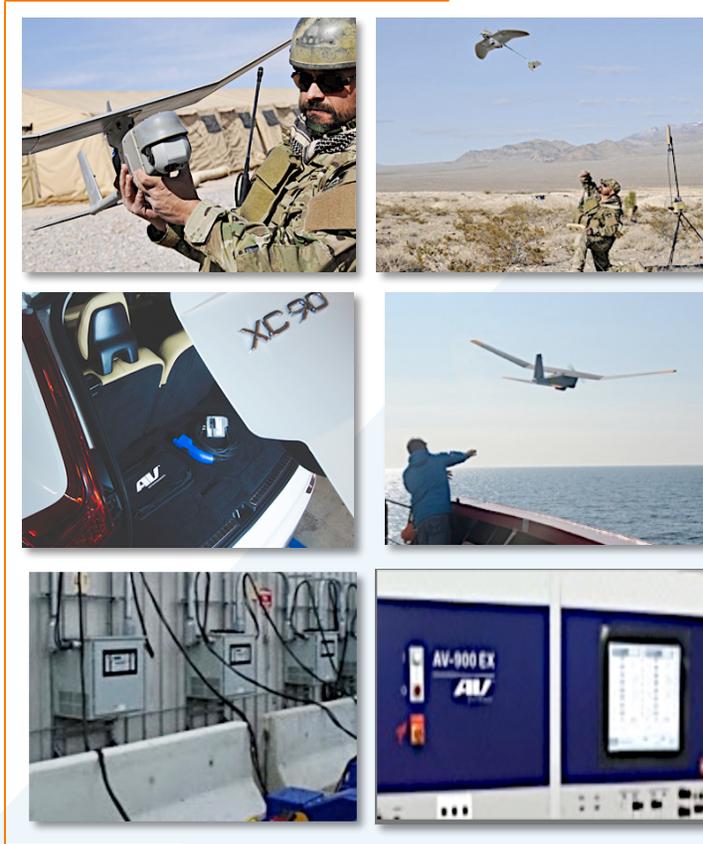


EES

Delivering Unique, High-Quality and Innovative Products and Services to Customers Around the World

Business Model: Profitable “Core Business” Supports Investment-Driven Growth Portfolio

“Core Business”



Growth Portfolio



Tactical Missile Systems



Commercial Information Solutions

UAS – Small UAS Embedded in the Fabric of U.S. Security



89%

of total FY'16
company
revenue

15%

revenue
CAGR
FY'04 – '16

86%

of all unmanned
aircraft in U.S. Dept.
of Defense inventory¹

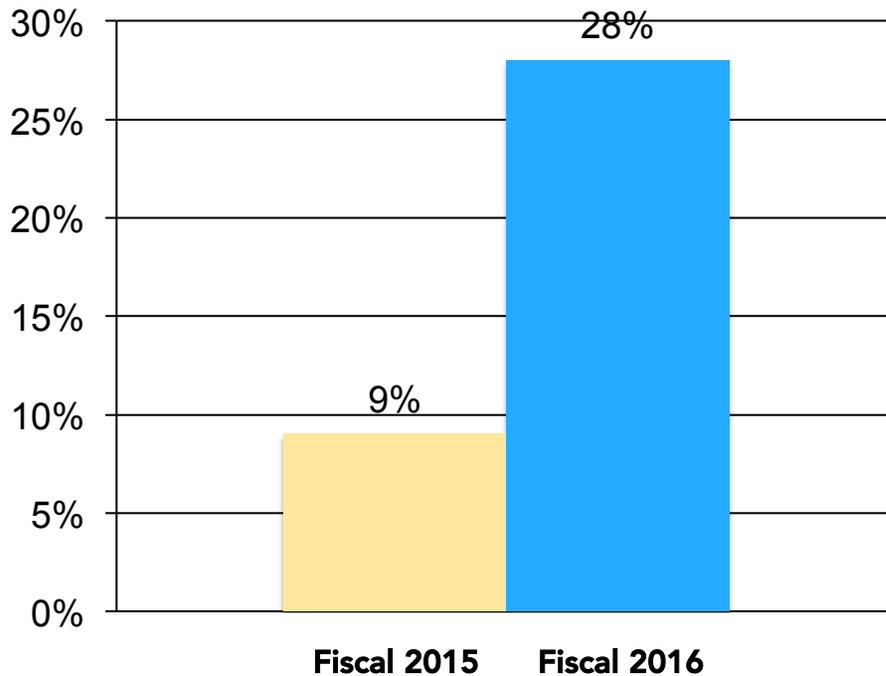
¹ Source: United States Department of Defense Unmanned Systems Roadmap 2013-2038, page 5

Significant Year-Over-Year Increase in International Small UAS Revenue in Fiscal 2016



35 international AeroVironment UAS customers – most with additional procurement potential, and many other countries evaluating small UAS

International as % of Total Company Sales



Sample Customers



EES - Products and Services Supporting EVs

Leading
test systems for EV
and advanced battery
development

Leading
advanced charging
systems for industrial
EVs

Leading
provider of EV
charging solutions



Increasing Adoption of EVs Could Stimulate Significant Demand for Charging Systems

	New Light Vehicle Sales Forecast	Assumed Cost of Home Charging System (with Installation)	Potential Market Value (Based on 7.5% EV adoption)
United States 2016 sales projection	17 million	\$1,000	\$1.3 billion
2016 Global sales projection (ex-US)	73 million	\$750	\$4.1 billion

Plug-in penetration rates of 7.5% in US and global light auto sales would yield a large EV charging market opportunity

AeroVironment Selected by Eight Global Automakers

Source: IHS forecast, <http://www.detroitnews.com/story/business/autos/2015/10/14/ihs-sales-forecast/73937942/>;
<http://press.ihs.com/press-release/automotive/ihs-global-outlook-automotive-sales-continued-momentum-north-america-europe>

New Ventures and Opportunities

Tactical Missile Systems – Accelerating U.S. Military Adoption of Emerging Family of Loitering Systems

*+ 500% Revenue Growth from Fiscal 2011 to 2016
+ \$1 billion market opportunity¹*



Switchblade

- Lethal, high-precision, rapidly deployed munition
- In use by U.S. military forces
- Current solution for Army LMAMS requirement

Blackwing

- Intelligence, surveillance and reconnaissance solution with longer flight time
- Deploying on U.S. Navy submarines and positioned for Program of Record



Switchblade Variants

- Multiple new solutions for new customers, applications
- Delivering air, sea and land-based capabilities

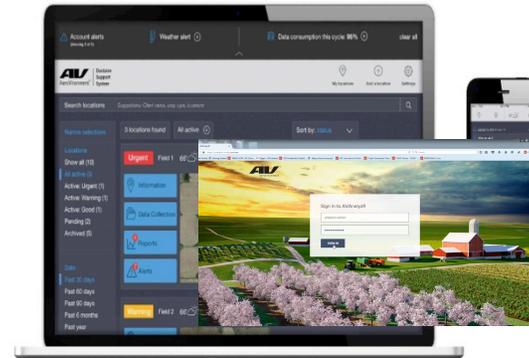
¹Based on fiscal 2017 U.S. Department of Defense proposed procurement of existing weapon systems

Commercial Information Solutions – Global Potential in Multiple Large Industry Segments

Integrated Solution



Quantix Drone

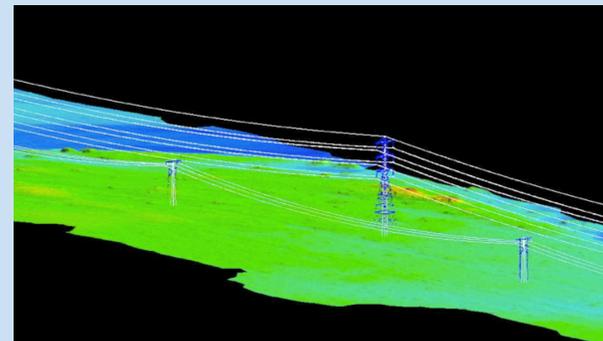


AV Decision Support System

Target Industries



Precision Agriculture



Energy, Utilities & Transportation

Financial Summary

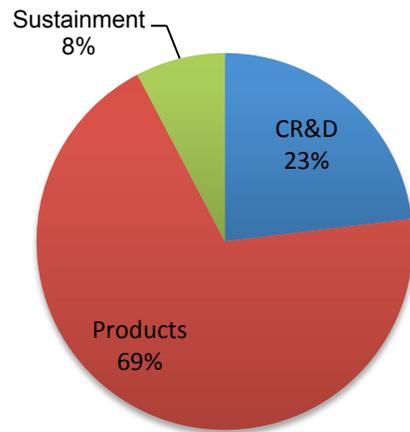
Focused on Successfully Executing Business Model

- Strong, profitable, core business across a diversifying customer base
- Dynamic and attractive portfolio consisting of mature cash generation and new innovations for growth
- Balance sheet provides flexibility to act decisively to support adoption of AeroVironment solutions
- Fiscal 2017:
 - Year-over-year reduction in IR&D spending, return to guided EPS
 - Strength in Tactical Missile Systems and International Small UAS
 - High production and revenue volume expected in fourth quarter

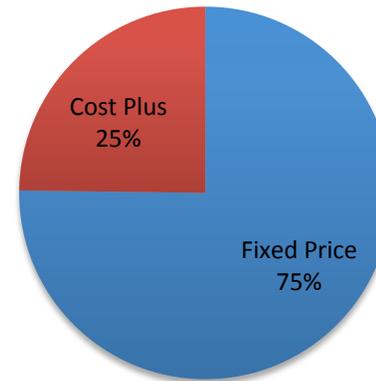
Diverse Product and Services Revenue Mix

Unmanned Aircraft Systems

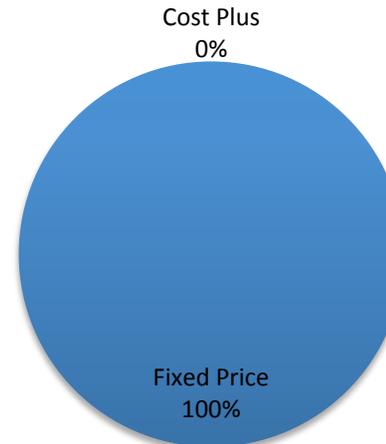
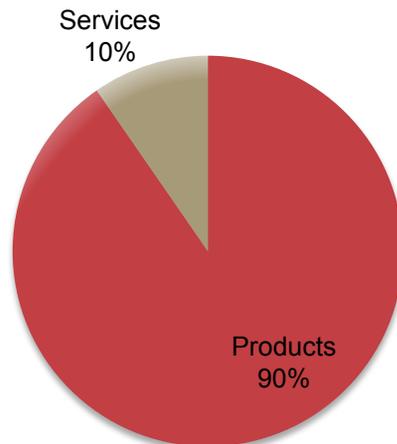
Revenue
FY 2016



Revenue by Contract Type
FY 2016



Efficient Energy Systems



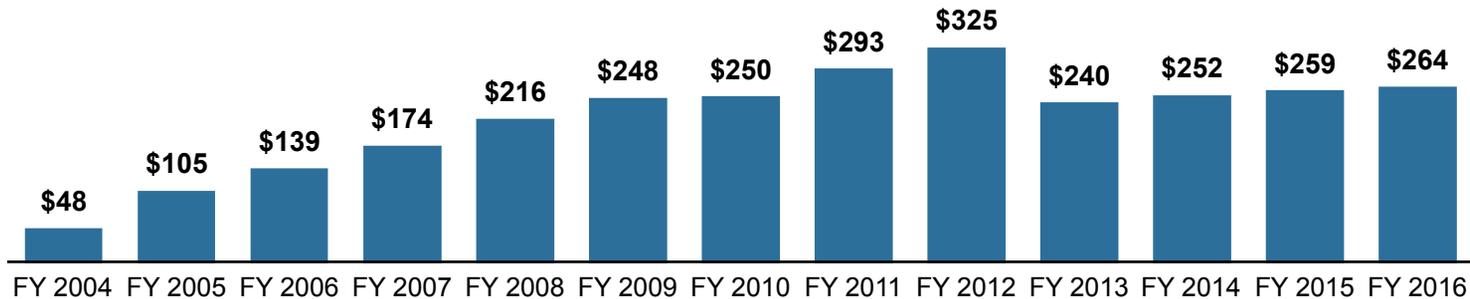
Note: "Sustainment" includes training, logistics, repairs, upgrades and other services

Growth and Core Business Profitability Driven by Technological Innovation

Revenue

(\$ in millions)

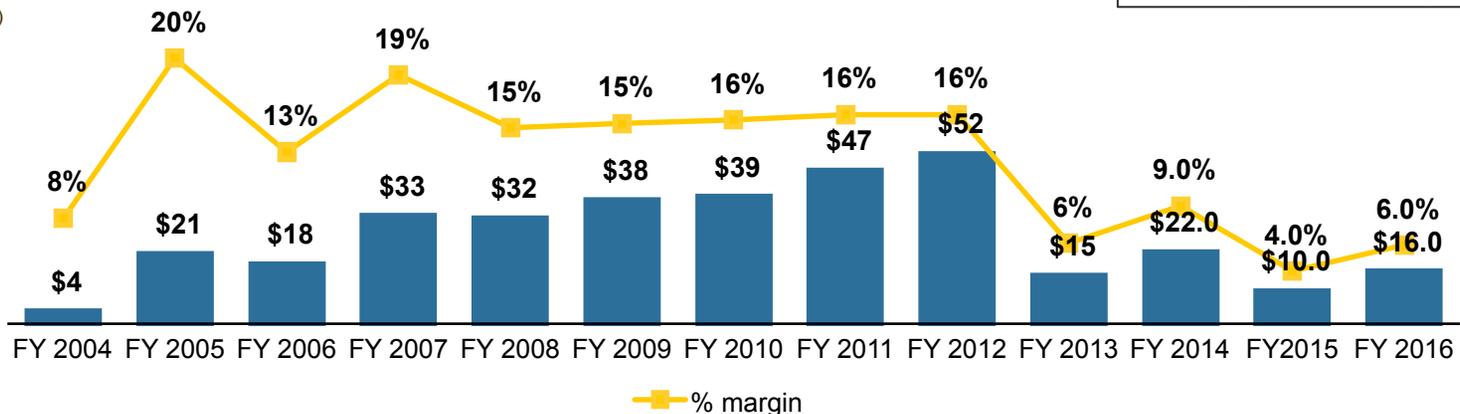
'04-'16 Revenue CAGR: 15%



EBITDA*

(\$ in millions)

'04 - '16 EBITDA CAGR: 12%



Strategic R&D investments in fiscal 2016 reduced earnings but we believe these investments will improve our positioning for long-term value creation

* See reconciliation in Appendix A

FY 2017 Quarterly Results

In \$ Millions (except EPS)	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	YTD
Revenue	\$36.2	\$50.1	-	-	\$86.3
Gross Margin	\$6.7	\$17.4	-	-	\$24.1
Gross Margin %	18%	35%	-	-	28%
Profit (Loss) from Operations	(\$15.6)	(\$4.5)	-	-	(\$20.1)
Profit (Loss) from Operations Margin %	(43%)	(9%)	-	-	(23%)
Net Profit (Loss)	(\$11.6)	(\$4.2)	-	-	(\$15.8)
Net Profit (Loss) Margin %	(32%)	(8%)	-	-	(18%)
Earnings (Loss) per share (EPS)	(\$0.51)	(\$0.18)	-	-	(\$0.69)

Strong Balance Sheet is Essential to our Growth Strategy: Confidence, Speed, Conviction

AeroVironment, Inc. Consolidated Balance Sheet s (In thousands except share and per share data)		
	October 29, 2016 (Unaudited)	April 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 88,876	\$ 124,287
Short-term investments	118,208	103,404
Accounts receivable, net of allowance for doubtful accounts of \$380 at October 29, 2016 and \$262 at April 30, 2016	26,102	56,045
Unbilled receivables and retentions	16,870	18,899
Inventories, net	55,168	37,486
Income tax receivable	3,957	—
Prepaid expenses and other current assets	4,706	4,150
Total current assets	313,887	344,271
Long-term investments	42,559	33,859
Property and equipment, net	17,445	16,762
Deferred income taxes	15,409	15,016
Other assets	598	750
Total assets	<u>\$ 389,898</u>	<u>\$ 410,658</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 18,662	\$ 17,712
Wages and related accruals	10,021	13,973
Income taxes payable	—	943
Customer advances	3,720	2,544
Other current liabilities	6,997	11,173
Total current liabilities	39,400	46,345
Deferred rent	1,820	1,714
Capital lease obligations - net of current portion	276	449
Other non-current liabilities	193	184
Liability for uncertain tax positions	62	441
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.0001 par value:		
Authorized shares—10,000,000; none issued or outstanding	—	—
Common stock, \$0.0001 par value:		
Authorized shares—100,000,000		
Issued and outstanding shares—23,371,943 shares at October 29, 2016 and 23,359,925 at April 30, 2016	2	2
Additional paid-in capital	156,667	154,274
Accumulated other comprehensive loss	(158)	(201)
Retained earnings	191,636	207,450
Total stockholders' equity	348,147	361,525
Total liabilities and stockholders' equity	<u>\$ 389,898</u>	<u>\$ 410,658</u>

\$249 million in cash, short and long term investments

No debt

Focused on Executing Our Fiscal 2017 Plan to Drive Long-Term Value

- Profitable growth through technology-based innovation
- Strong and balanced pipeline with multiple high-value market opportunities
- Financial performance consistent with our expectations
- Differentiated solutions with industry-leading positions across multiple markets
- Solid track record of performance

For More Information...

Steven Gitlin

Vice President Investor Relations

ir@avinc.com

1 (626) 357-9983

Appendix

Appendix A - EBITDA Reconciliation and Free Cash Flow

	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>	<u>FY 13</u>	<u>FY 14</u>	<u>FY 15</u>	<u>FY 16</u>
EBITDA – build up from GAAP financials													
Income from Operations (\$K) – from GAAP financials	3,118	20,074	15,851	30,501	28,444	32,553	29,887	33,951	43,076	3,802	12,419	2,014	9,735
+ Depreciation and amortization (\$K) – from GAAP financials	<u>764</u>	<u>1,053</u>	<u>1,999</u>	<u>2,897</u>	<u>3,849</u>	<u>5,355</u>	<u>8,982</u>	<u>12,642</u>	<u>8,973</u>	<u>10,937</u>	<u>9,155</u>	<u>8,366</u>	<u>6,074</u>
	3,882	21,127	17,850	33,398	32,293	37,908	38,869	46,593	52,049	14,739	21,574	10,386	15,809
EBITDA / Revenue	8.1%	20.1%	12.8%	19.2%	15.0%	15.3%	15.6%	15.9%	16.0%	6.1%	8.6%	4.0%	6.0%
Free Cash Flow (\$K)													
Net Cash – Oper. Activities – from GAAP financials	1,570	8,644	13,353	15,022	15,502	39,770	35,984	33,486	18,754	29,244	34,005	39,413	551
Acquisition of property and equipment – from GAAP	<u>(1,373)</u>	<u>(3,541)</u>	<u>(4,190)</u>	<u>(3,038)</u>	<u>(7,928)</u>	<u>(13,302)</u>	<u>(10,792)</u>	<u>(10,173)</u>	<u>(14,992)</u>	<u>(11,834)</u>	<u>(7,143)</u>	<u>(5,429)</u>	<u>(6,829)</u>
	197	5,103	9,163	11,984	7,574	26,468	25,192	23,313	3,762	17,410	26,862	33,984	(6,278)